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FM AMEMBASSY ASHGABAT

TO RUEHC/SECSTATE WASHDC PRIORITY 4028

INFO RUCNCLS/ALL SOUTH AND CENTRAL ASIA COLLECTIVE

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RUEHAK/AMEMBASSY ANKARA 6089

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C O N F I D E N T I A L SECTION 01 OF 02 ASHGABAT 000030

SIPDIS

STATE FOR SCA/CEN; EEB;
ENERGY FOR EKIMOFF/BURPOE/COHEN
COMMERCE FOR DSTARKS/EHOUSE

E.O. 12958: DECL: 01/07/2020

TAGS: [EPET](#) [ECON](#) [PGOV](#) [EINV](#) [BTIO](#) [TX](#)

SUBJECT: TURKMENISTAN: CHEVRON HOPEFUL IN 2010

REF: A. ASHGABAT 17

[1](#)B. 09 ASHGABAT 1618

Classified By: Charge Sylvia Reed Curran for reasons 1.4 (b) and (d).

[1](#)1. (C) On January 6, EconOff met with Chevron's local representative to discuss the company's plans for 2010. The local rep alluded to the recent announcement that the Government of Turkmenistan (GOTX) awarded four service contracts to Chinese, Korean, and UAE companies to develop onshore gas resources in the South Yoloten natural gas fields (ref A). He stated that Chevron interpreted that announcement as the end of any opportunity for Chevron to develop phase one of South Yoloten, adding that the GOTX had followed through on earlier statements that it would develop phase one without the help of large international oil and gas companies (IOC). (NOTE: In the past, Chevron reps were adamant that only IOCs had both the technology and experience to effectively develop the technically hard to get to, subsalt gas in South Yoloten. Chevron maintains that it is available to help the GOTX should the current service providers fail to develop the fields successfully, but not on a service contract basis. END NOTE.) Despite the recent contracts, the company rep was still very optimistic that the GOTX would honor its recent verbal commitments to find an acceptable deal for Chevron.

[1](#)2. (C) The local rep felt that his December 7 meeting with Deputy Chairman Baymyrat Hojamammedov was the most positive signal Chevron had received from the GOTX to date. He underscored that Hojamammedov had called the meeting himself and told Chevron that he personally found a way forward for Chevron, without any assistance from his oil and gas colleagues (ref B). Chevron's rep explained that Hojamammedov envisioned a joint enterprise between Turkmengaz and Chevron, much like Chevron's joint venture for oil development in Kazakhstan, Tengizchevroil. According to the company rep, under the proposed joint enterprise Chevron would develop underperforming and underdeveloped natural gas fields other than South Yoloten. He added that Chevron

officials in Houston have expressed strong interest in such an arrangement, but will require a gas production target and most likely the opportunity to book reserves. He explained that Chevron was no longer pushing for a production sharing agreement (PSA) with the GOTX, but it was still pursuing a deal that would contain PSA terms, regardless of what the GOTX wanted to call it.

¶3. (C) Chevron plans to submit a proposed MOU directly to Deputy Chairman Hojamammedov by the second full week of January. The Chevron rep highlighted that Hojamammedov told Chevron it would not have to work with the State Agency for the Management and Use of Hydrocarbon Resources, which is almost always required of foreign companies, but could instead work directly with Turkmengaz officials. Chevron's local rep felt it was clear that Hojamammedov was driving the "Chevron deal," and as a result had high hopes that a commercial agreement might finally be reached in 2010.

¶4. (C) COMMENT: Chevron has taken to heart the GOTX's plans to develop its onshore gas resources via service contracts only, despite Chevron's earlier stance that only IOCs could effectively develop those resources. As a large IOC, however, Chevron sees little point in pursuing service contracts with the GOTX. Chevron instead hopes that Hojamammedov will provide Chevron with an opportunity to increase Turkmenistan's gas production at existing wells across the country, while setting the stage for even bigger deals in the future. Although optimistic, Chevron's rep stated that Chevron would only celebrate once an actual deal was signed; he hoped it would be in the early part of 2010.

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END COMMENT.
CURRAN